

# MANAGING FOR RESULTS

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# STRATEGIC MANAGEMENT

Strategic management is the process of positioning an organization so it can prosper in the future. Strategic management integrates strategic planning with quality (or continuous improvement) efforts, budgeting, resource planning, program evaluation, and performance monitoring and reporting. In practice, strategic management may not be sequential, but there are strong interrelationships between the various key components.

## Quality Management

Strategic planning works best in an atmosphere of quality management. Ideally, strategic planning is integrated with quality concepts; however, strategic planning can also be successfully employed as the vehicle to introduce quality concepts and efforts.

Quality Management is an approach that values customer satisfaction and is based on participation of all members of an organization in improving the processes, products, services and culture in which they work. The emphasis is on *continuous improvement* rather than a one-time fix. Other terms that are synonymous with Quality Management include business process improvement, continuous quality improvement, and process management, to name a few.

The fundamental elements of quality management and strategic planning are the same. Both are systematic approaches to identifying problems and opportunities which:

- Promote customer-focused services and products,
- Emphasize employee involvement and teamwork,
- Use performance measurements to focus on results,
- Rely on data collection and interpretation,
- Support management that is based on facts, and
- Involve efficient and effective resource allocation and management.

Successful implementation of quality management and strategic planning requires a vision, planning and active involvement from top management. In addition, it needs support through continuous training and education, time, money and personnel. Quality management efforts have gained popularity primarily because they improve work quality, customer satisfaction and employee morale, as well as increase productivity, empower employees, and reduce bureaucracy by eliminating duplication and streamlining work processes.

# ***Strategic Management***



**NOTE:** In practice, the cycle may not be sequential. This graphic is designed to illustrate the interrelationship between key components.

## **Budgeting**

Good management practices always include budget considerations when conducting strategic planning. The strategic plan charts an agency's direction, while the budget provides the resources to implement the plan. A strategic plan that ignores fiscal reality will not be realized. Conversely, resource allocation without strategic thinking is shortsighted and will be unresponsive to future conditions. Strategic planning is especially important with biennial budgeting, since an agency's resource needs must be anticipated two years in advance.

Strategic planning guides the budget process. It establishes priorities and affords management an opportunity to reevaluate existing allocations of funds. Agencies will develop strategies and action plans that detail what will be accomplished to achieve goals and objectives each year. These action plans, together with performance measures, provide the strongest links between the operating and capital outlay budgets.

Planning and budgeting are interactive. The Internal/External Assessment component of the strategic planning process can be valuable in identifying trends, demand factors, and strategic issues to support budget development. Assumptions about available resources affect what can be achieved and help set priorities for resource allocation. Since government funding continues to be limited, strategic planning can help agencies as they strive to do more with less while remaining focused on results. Agencies should consult the current OSPB issued *Budget Schedules and Instruction Manual* for current information about budget assumptions.

## **Information Technology (IT) or Resource Management**

Resource planning is an essential component of strategic planning. As with all other necessary resource needs, the information resource needs of an agency should be determined *during* the strategic planning process. IT planning should be compatible with all GITA policies, procedures, standards and guidelines and the agency strategic plan, and should reference the specific programs or subprograms it supports.

A.R.S. § 41-3504 requires State agencies to submit three-year IT plans to the Government Information Technology Agency (GITA) every year. Legislative and judicial agency plans are submitted for information purposes. In even years, the three-year IT planning horizon coincides with that of the Agency Strategic Plans, as well as that of the *Master List of State Government Programs*.

## **Performance Monitoring and Reporting**

A critical component of the strategic management cycle is the monitoring and reporting of progress in achieving strategic goals. Agencies are encouraged to develop monitoring and reporting systems that collect data continuously and report, at a minimum, annually. The performance information provides a basis for reporting progress to external policy makers and the public. Results, good or bad, should be used to evaluate programs and to determine whether any corrective action needs to be taken.

# INTRODUCTION TO STRATEGIC PLANNING

Why should agencies conduct strategic planning?

Strategic planning is *required*. First and foremost, the Arizona budget reform legislation requires that all budget units in State government develop three-year strategic plans for each agency, program and subprogram. Although the law requires that plans be developed at the agency-wide (budget unit) level, as well as for programs and subprograms, only the agency-wide plans are submitted to OSPB.



Note

Strategic Planning is *not* the easiest process to get through, but it does get easier over time.

Why? Because strategic planning is common sense. It is visionary, yet realistic; it anticipates a future that is both desirable and achievable. It provides a structure for inspired but practical decision making and follow through.

Even if it weren't required, there are many positive and significant reasons for agencies to engage in strategic planning. Strategic planning is many things.

It is **planning for change in increasingly complex environments**. Perhaps the one constant in government today is the notion of change. Increasing demands for services, shrinking resource bases, and greater expectations for service all combine to form a dynamic environment. However, strategic planning is proactive; organizations are encouraged to *seek* change, instead of simply *reacting* to situations.

It is **managing for results**. It is a process of diagnosis, objective setting, and strategy building that is an essential part of results-oriented management. It relies on careful consideration of an organization's capacities and environment, and it leads to significant resource allocation decisions.

It is **an essential managerial tool**. Agencies are being asked to focus on achieving and improving outcomes each year. In other words, results should begin to focus on the efficiency and effectiveness of agency operations. Strategic planning enables agencies to develop a system to institute continuous improvement at all levels.

It is **future-oriented**. It involves a disciplined effort to help shape and guide what an agency becomes, what it does, and why it does it. Strategic planning requires broad-scale information gathering, an exploration of alternatives, and an emphasis on the future implications of present decisions.

It is **adaptable**. Although planning takes a long-range approach, the use of regular reviews and updates to determine progress and reassess the validity of the plan--based on strategic issues uncovered in the internal/external assessment--keeps planning flexible. The plan can then be updated to make the adjustments necessary to respond to changing circumstances and take advantage of emerging opportunities. It sets targets for performance, incorporates ways to check progress, and provides guidance for on going operational and capital plans, and budgets.

It is **essential for customer support**. Strategic planning determines the things that an organization can do to address customer expectations. Government agencies all across the country have come to recognize that they have customers and stakeholders. This shift in attitude is supported by the strategic planning process, in which identification of customers and their needs and wants is basic.

It **promotes communication**. It facilitates communication and participation, accommodates divergent interests and values, and fosters orderly decision making and successful implementation of goals and objectives. Strategic planning improves communication not only from front-line employees to the Director and back, but also among divisions and programs.

Finally,

**If you fail to plan, you plan to fail.** State agencies are constantly challenged to manage complex and changing programs with limited resources. Further, agencies need to address new, as well as ongoing, responsibilities, while containing and even reducing costs.



Key Point

Strategic planning is not a quick fix.

Like many management improvement efforts, strategic planning is a long-term investment with payoffs that increase over time. However, strategic planning is not a magic wand. In order to achieve results, executive management, as well as the rest of an agency's employees, must be committed to the plan and must pay *constant* attention to implementation of the goals and objectives.

# SUCCESSFUL STRATEGIC PLANNING

A successful strategic planning process:

- Has the full support of the agency director.
- Is participatory and is not left solely to planners. It involves staff at all levels, from executives and managers to line staff, ensuring that the plan has “buy-in” from everyone in the agency.
- Is flexible, fits the organization and is user friendly.
- Clearly defines responsibilities and timetables, and establishes and ensures accountability for results.
- Galvanizes and produces understanding and common purpose throughout an organization.
- Stays aware of the environment in which it functions and is politically sensitive.
- Is realistic about goals, objectives, resources and outcomes, while taking personnel issues, overall fiscal conditions and budgetary trends into account.
- Develops and conveys compelling evidence for its recommendations.
- Has a method or strategy for resolving conflicts among stakeholders.
- Leads to resource decisions and acknowledges the reality of having to do more with less, often requiring tradeoffs or the redirection of resources.
- Is fresh and continuous, not stale and static. Both the plan and the planning process are reviewed and modified regularly.
- Finally, a successful strategic planning process asks and answers the following:
  - Where are we now?
  - Where do we want to be?
  - How do we measure our progress?
  - How do we get there?
  - How do we track our progress?

## PARTICIPANTS IN THE PROCESS

**Strategic planning is a team effort.** Although strategic planning begins at the top, leaders should seek the input of managers, supervisors, and those front-line employees who know the services and customers best. The team should include knowledgeable individuals from all of the organization's programs or services, yet not become so large as to be cumbersome.

As a rule of thumb, the people who will bear the responsibility for accomplishing a part of the strategic plan should participate in developing that part of the plan.



Planning Team

The size of the team will vary with the size and complexity of the agency. In a large agency, all of the participants listed here may be involved. However, in a small agency the director may be the entire planning staff.

Depending on the size of the agency, successful strategic planning may include the following team participants:

**Director**--provides the leadership necessary to craft the vision, define the mission and express the principles of the organization. For the process to be successful, the director must provide active leadership and support.

**Executive Management Team**--whose knowledge of services and functional areas can contribute to developing the agency-wide vision, mission, and principles; help set agency-wide goals; and monitor overall progress and results.

**Strategic Planner**--provides the coordination, timetable and tools for moving the organization through the planning process. A large agency may have more than one planner, while in a small agency, the director may be the planning coordinator.

**Middle Managers, Program Managers and Supervisors**--who have direct program involvement and can carry the planning process into the program level. These individuals can assist in defining program missions and principles, setting program goals and specific objectives, developing courses of action or strategies to achieve objectives, implementing action plans, establishing and maintaining performance measures, and determining needed resources.



**Financial or Budget Managers**--analyze fiscal impacts of potential strategies, provide technical support, and use strategic plans to guide development of annual operating budgets and capital outlay budgets.

**Facility Managers**--analyze the impact of implementing potential strategies on the organization's physical facilities and use strategic plans to guide development of capital outlay plans and budgets.

**Human Resource Managers**--analyze the impact of implementing potential strategies on the organization's work force, training programs, and human resource management policies.

**Information Technology (IT) Managers**--analyze the impact of implementing potential strategies on the organization's information resource systems. Additionally, the IT managers will use the information gathered during the strategic planning process for putting together the agency's IT plan, which is submitted to the Government Information Technology Agency (GITA) every June 1.

**Quality (TQM) Coordinator and/or Quality Councils**--if established, ensure coordination of strategic planning with the organization's quality improvement efforts.

**Front-line Employees**--the individuals with perhaps the best knowledge in the agency regarding the services customers need and want, as well as which processes work. This group's input can be critical in the development of program and subprogram goals, objectives, performance measurements and action plans.

**Members of Boards and Commissions**--can assist in developing the vision, mission and principles of the agency and can also provide valuable feedback during the planning process.

**Facilitator**--helps guide participants through planning sessions, by assuring that all views are considered. A facilitator is a neutral party who is sometimes used to keep the discussion flowing.



**Key Point**

*Leaders must recognize their own role in the planning process, as well as the roles of others in the organization.*

Some leaders will be tempted to pay lip service to strategic planning while shunning actual involvement in the process. However, the executive who wholly delegates his or her responsibility sends the message that strategic planning is not important enough to warrant his or her involvement.

Other leaders will be tempted to prepare the whole plan on their own. However, the executive who puts together a plan without participation from the managers and staff who must actually carry out the plan produces a document to which only one person--that executive--is committed.

## COMPONENTS OF THE PROCESS

Before an organization can develop a plan for change, it must first determine where it currently stands and what opportunities for change exist. Arizona's strategic planning model leads agencies through a process of asking and answering where the agency is currently, where the agency wants to be, how the agency will measure its progress, how the agency will get to where it wants to be, and how the agency will monitor its progress. These components are discussed in great detail throughout the rest of this handbook.

### Where Are We Now?

Strategic planning helps determine an agency's current status and evaluate its environment. It helps define the agency's products and services, as well as who the customers and stakeholders of the services are.

**Internal/External Assessment:** an analysis and evaluation of internal conditions and external data and factors that affect the organization.

**Internal Assessment (or Situation Inventory):** an evaluation of an organization's position, performance, problems and potential.

**External Assessment (or Environmental Scan):** an analysis of key external elements or forces that affect the environment in which an organization functions.

**Customer/Stakeholder Identification:** formal definition of those directly or indirectly using agency services or those directly or indirectly affected by the agency's actions.

**Customer:** anyone whose best interests are served by, or who receives or uses the products or services of, an agency, program or subprogram.

**Stakeholder:** any person or group with a vested interest in or with expectations of a certain level of performance or compliance from an agency, program or subprogram.

### Where Do We Want to Be?

Use the results of the internal and external analysis and customer identification to formulate the mission, vision, principles, goals and objectives.

**Mission:** a brief, comprehensive statement of purpose of an agency, program or subprogram.

**Vision:** a compelling, conceptual image of the desired future.

Principles: the core values and philosophies that describe how an agency conducts itself in carrying out its mission.

Goals: the desired end results, generally after three or more years.

Objectives: specific and measurable targets for accomplishing goals.

### How Do We Measure Our Progress?

Strategic planning builds accountability into the process.

Performance Measures: used to measure results and ensure accountability.

### How Do We Get There?

Strategic planning will help the agency figure out how to get from where it currently is to where it wants to be, as well as the resources that will be needed to implement the plan.

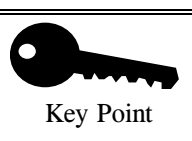
Action Plan: a detailed description of the strategies and steps used to implement a strategic plan.

Resource Allocation: the determination and allotment of resources or assets necessary to carry out strategies and achieve objectives, within a priority framework.

### How Do We Track Our Progress?

Finally, agencies monitor implementation of goals and objectives and use the results to periodically evaluate “Where are we now?” thereby beginning the strategic planning cycle again.

Tracking Systems: monitor progress, compile management information and keep goals on track.

 Key Point	We are discussing <i>strategic planning</i> , not a <i>strategic plan</i> . Strategic planning is more than filling out forms, or compiling a document. Most of the value of strategic planning is realized during the <u>process</u> of planning itself.
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There is no fixed "cookie-cutter" process that can be used for every organization. Agencies should tailor the strategic planning process to their management needs and organizational and program structures. Although the diagram on the next page shows a step-by-step process, strategic planning is *not* linear. Sometimes the results of one step may cause the planning team to go back to a previous step because assumptions or circumstances have changed.

## STRATEGIC PLANNING PROCESS

ASK:	TO GET THE ANSWER:
<i>Where are we now?</i>	<p>Perform an <i>Internal/External Assessment</i>, which consists of a situation inventory and environmental scan.</p> <p>Perform a <i>Customer/Stakeholder Identification</i>, which consists of a formal definition of those directly or indirectly using the agency's services.</p>
<i>Where do we want to be?</i>	<p>Develop a <i>Mission</i>, which is a brief, comprehensive statement of purpose.</p> <p>Develop a <i>Vision Statement</i>, which is a compelling, conceptual image of the desired future.</p> <p>Develop <i>Principles</i>, which are the core values of the agency.</p> <p>Develop <i>Goals</i>, which represent the desired end results after 3 or more years.</p> <p>Develop <i>Objectives</i>, which are specific, measurable targets to accomplish goals.</p>
<i>How do we measure our progress?</i>	Develop <i>Performance Measures</i> , which measure results, ensure accountability, encourage the use of targets that are linked to continuous improvement, and allow benchmarking against the "best in class."
<i>How do we get there?</i>	Develop <i>Action Plans</i> , which embody the strategies and steps to implement a strategic plan and lead to resource allocation.
<i>How do we track our progress?</i>	Develop a <i>Tracking System</i> , which measures progress and compiles management information.

The next five chapters explore each of the components of the strategic planning process in detail.